



## Report – Establishment Committee

### Draft Pay Policy Statement 2014/15

*To be presented on Thursday, 6<sup>th</sup> March 2014*

*To the Right Honourable The Lord Mayor, Aldermen and Commons  
of the City of London in Common Council assembled.*

#### **SUMMARY**

1. The Localism Act 2011 requires the City of London Corporation to prepare and publish a Pay Policy Statement each year setting out its approach to pay for the most senior and junior members of staff. This must be agreed by the full Court of Common Council.
2. The Court approved the Corporation's first pay policy statement in January 2012 and the current version was approved this time last year. This was published by 31<sup>st</sup> March 2013. A draft Pay Policy Statement for 2014/15, which has been separately circulated, has been approved by both the Establishment and the Policy and Resources Committees and, with your agreement, will be published by 31<sup>st</sup> March 2014.

#### **RECOMMENDATION**

3. We **recommend** that you consider and agree the separately circulated draft Pay Policy Statement for 2014/15 to ensure that the City Corporation meets its requirements under the Localism Act 2011.

All of which we submit to the judgement of this Honourable Court.

DATED this 30<sup>th</sup> day of January 2014.

SIGNED on behalf of the Committee.

**JOHN ALFRED BARKER OBE, DEPUTY  
Chairman**

## **Main Report**

### **Background**

- 1) Under Section 38(i) of the Localism Act 2011 (the Act), all local authorities are required to produce and publish a statement setting out their pay policies. The aim of the Act is that authorities should be open, transparent and accountable to local taxpayers. Pay statements should set out the authority's approach to issues relating to the pay of its workforce, particularly senior staff (or chief officers) and its lowest paid employees.
- 2) The Department for Communities and Local Government has published draft guidance and the City Corporation must have regard to this guidance in formulating a Pay Policy Statement. In addition, the Secretary of State has published a Code of Recommended Practice for Local Authorities on Data Transparency which is also of relevance in complying with the Act.
- 3) The Pay Policy Statement must be agreed and published by 31<sup>st</sup> March each year. The statement must be agreed, each year, by the full Court of Common Council in open session. Should any changes to the pay statement arise during the course of the year, a revised Statement must come before the full Court.

**Appendices:** Draft Pay Policy Statement for 2014/15.

## CITY OF LONDON CORPORATION

### PAY POLICY STATEMENT 2014/15

#### Introduction

1. Section 38(i) the Localism Act 2011 (the Act) required local authorities since the financial year 2012/13 to produce a pay policy statement for each financial year. This applies to the City of London Corporation in its capacity as a local authority and this document meets the requirements of the Act for the City of London Corporation for the financial year 2014/15.
2. We are required to set out our approach to a range of issues, particularly those relating to remuneration for senior staff (Chief Officers on the Senior Management Grade) and our lowest paid staff. These provisions do not apply to staff of local authority schools or teaching staff in the three City Schools.
3. The provisions of the Act require that authorities are more open about their local policies and how local decisions are made. The Code of Recommended Practice for Local Authorities on Data Transparency enshrines the principles of transparency and asks authorities to follow three principles when publishing data they hold: responding to public demand; releasing data in open formats available for re-use; and, releasing data in a timely way. This includes data on senior salaries and the structure of the workforce.
4. All decisions on pay and reward for senior staff must comply with this statement. The statement must be reviewed annually and agreed by the Court of Common Council.
5. This statement relates to our local, police and port health authority functions. The Act does not require authorities to publish specific numerical data on pay and reward in their pay policy document. However, information in this statement should fit with any data on pay and reward which is published separately. The City Corporation operates consistent pay policies which are applied across all of our functions. Further details of the grade structures and associated pay scales can be found on our website at:

<http://www.cityoflondon.gov.uk/about-the-city/who-we-are/Pages/senior-officer-and-general-salary-scales.aspx>

This information is reviewed, updated and published on a regular basis in accordance with the guidance on data transparency and by the Accounts and Audit (England) Regulations 2011. It should be noted that all Police Officer pay scales are nationally determined and as such do not form part of the City of London's Pay Policy.

6. The Act's provisions do not supersede the City Corporation's autonomy to make decisions on pay which are appropriate to local circumstances and deliver value for money for local taxpayers. We seek to be a fair employer and an employer of choice – recognising and rewarding the contributions of staff in an appropriate way. We set pay fairly within published scales and, in doing so, have regard to changing conditions in differing occupational and geographic labour markets.

## **Background**

7. All pay and terms and conditions of service are locally negotiated with our recognised trade unions or staff representatives. In 2006/07 extensive work was undertaken on a review of our pay and grading structures. As a result, the principles set out in the guidance to the Act have already generally been addressed although the Act set out some additional requirements which are covered by this statement.
8. In 2007 we implemented a number of core principles, via collective agreement, to form the City Corporation's pay strategy. This moved the pay and reward strategy from one based entirely on time-served increments to one which focusses on a balance between incremental progression, individual performance and contribution to the success of the organisation. A fundamental element of the strategy is that achievement of contribution payments is more onerous and exacting the more senior the member of staff.
9. There has been a pay award of 1% on basic salaries agreed for all staff commensurate with the Government's pay policy. This was agreed by the Court of Common Council in July 2013 and was effective from the first of that month. A sum of between £70 and £100 per annum was also added to the London Weighting allowance rates for all staff. In addition approval was given to uplift incremental points in the lowest Grade A equivalent to 3%.
10. As at January 2014, no directly employed member of staff was paid below the London Living Wage (Apprentices being paid in proportion to this). In addition, it has been agreed that all casual and agency workers will be paid the London Living Wage from 1 April 2014 and this will be reviewed in line with any future changes.

## **Staff below Senior Management**

11. All staff employed by the City Corporation below Senior Management Grade have been allocated to one of 10 grades, Grades A – J (apart from in a very small number of exceptional cases such as apprentices). All such posts were reviewed under Job Evaluation, ranked in order and allocated to a grade following the Pay & Grading Review in 2007. The evaluation scheme was independently equalities impact assessed to ensure it was inherently fair and unbiased. The scheme, how it is applied, the scoring mechanism and how scores relate to grades are published on our intranet so staff can be assured that the process is fair and transparent. In addition, there is an appeal mechanism agreed with the recognised trade unions and staff representatives.

12. The lowest graded and paid staff are in Grade A as determined by the outcomes of the job evaluation process. The current lowest point on Grade A is £18,010 including a London Weighting allowance for working in Inner London. The current pay range for grades A - J is £18,010 to £89,830 inclusive of Inner London Weighting of £5230 for non-residential employees.

- Grades A – C are the lowest grades in the City Corporation. They have up to 6 increments which can be achieved subject to satisfactory performance. There is no contribution pay assessment. However, staff have the opportunity to be considered for a Recognition Award of up to a maximum level set corporately each year (this has been £500 in each year since 2010) for exceptional work.
- Grades D – J have 4 ‘core’ increments and 2 ‘contribution’ increments. Progression through the 4 ‘core’ increments is subject to satisfactory performance. Progression into and through the 2 ‘contribution’ increments requires performance to be at a higher than satisfactory level. Once at the top of the scale, for those who achieve the highest standards of performance and contribution, it is possible to re-earn a one-off non-consolidated contribution payment of up to 3% or up to 6% of basic pay depending on the assessed level of contribution over the previous year.
- The Senior Management Grade comprises the most senior roles in the organisation (chief officers). As these are distinct roles, posts are individually evaluated and assessed independently against the external market allowing each post to be allocated an individual salary range within the grade. There is no automatic right to a cost of living increase or incremental progression within the Senior Management Grade. Any incremental progression in salary is entirely dependent on each individual being subject to a rigorous process of assessment and evaluation, and is based on their contribution to the success of the organisation.

13. The City Corporation operates a forced distribution curve to ensure a fair and consistent distribution of contribution payments for staff in Grades D – J. This ensures that in any one year, no more than approximately 75% of eligible staff are able to progress to the 2 higher contribution increments. Approximately 50% of eligible staff may receive a one-off contribution payment in any given year. For the appraisal year ending March 2013, 57% of eligible staff were allowed to move into the two higher contribution increments and 60% of eligible staff received a one-off non-consolidated contribution payment.

### **Senior Management**

14. The term Senior Management incorporates the following posts:

- Town Clerk & Chief Executive
- Chamberlain
- Comptroller & City Solicitor

- Remembrancer
- City Surveyor
- Director of the Built Environment
- City Planning Officer
- Managing Director of the Barbican Centre
- Principal of the Guildhall School of Music & Drama
- Director of Community & Children's Services
- Deputy Town Clerk
- Director of the Economic Development Office
- Private Secretary & Chief of Staff to the Lord Mayor
- Director of HR
- Director of Culture, Heritage & Libraries
- Director of Markets & Consumer Protection
- Director of Open Spaces

15. The Head Teachers of the City of London School, City of London School for Girls and City of London Freeman's School are not part of the City Corporation's local authority function and not part of the senior management group for the purposes of pay (their pay is governed by a separate teaching pay scale). The post of City Remembrancer is aligned to Senior Civil Service pay scales. Salary costs for other posts such as the Principal of the Guildhall School of Music & Drama are not charged to the ratepayer and are fully funded by the City Corporation.

16. It should be noted that not all of the costs of the above posts are funded from the public resources. The City of London is not an ordinary local authority, in that it has other functions which are funded through income from endowment and trust funds. Only its local authority, police authority and port health authority functions are funded through public resources.

17. Following the principles outlined above, the pay ranges for the Senior Management Grade were set with reference to both job evaluation and an independent external market assessment. The principles of this were agreed by the Court of Common Council in 2007 and, subsequently, the specific unique range for each senior management post was agreed by the Establishment Committee in October 2007. Current Senior Management salary scales are published on our website at:

<http://www.cityoflondon.gov.uk/about-the-city/who-we-are/Pages/senior-officer-and-general-salary-scales.aspx>

18. Each Senior Management post is allocated a range around a datum point. There is a maximum and minimum (datum + 9% and datum – 6% respectively) above which and below no individual salary can fall. Where a pay increase for a member of staff would take them above the maximum in a given year, the excess amount above the maximum may be paid as a non-consolidated payment in that year. This does not form part of basic salary for the following year and will, therefore, have to be earned again by superior performance for it to be paid.

19. Each year the datum point advances by a percentage equivalent to any 'cost of living' pay award. Individual salaries would move according to the table below:

<b>Contribution Level</b>	<b>Salary Change</b>
A Outstanding	Datum % change + up to 6%
B Very Good	Datum % change + up to 4%
C Good	Datum % change
D Improvement Required	0.0 %

20. The average payment has been 2.9%. The payments have been largely non-consolidated i.e. they have to be re-earned each year based on superior performance.
21. All pay increases for any staff in the Senior Management Grade are agreed by a Senior Remuneration panel comprising the Chairmen of Policy & Resources, Finance and Establishment Committees supported by either the Town Clerk and Chief Executive or the Director of HR. The Town Clerk & Chief Executive deals with all salary discussions for senior staff other than in relation to himself. The Director of HR deals with any pay discussions in relation to the Town Clerk & Chief Executive.
22. The Act specifies that in addition to senior salaries, authorities must also make clear what approach they take to the award of other elements of senior remuneration including bonuses, performance related pay as well as severance payments. This should include any policy to award additional fees for staff on the Senior Management Grade for their local election duties.
23. The scheme for pay increases and contribution pay for the Senior Management Grade is set out above. Staff on the Senior Management Grade do not have an element of their basic pay "at risk" to be earned back each year. Progression is, however, subject to successful performance assessed through the application of the performance appraisal scheme. No staff on the Senior Management Grade receives any other additional payments or fees for electoral duties.
24. Set out below are the broad pay ranges for the Senior Management Grade, with the numbers in each band, excluding London Weighting. Each member of staff will have an individual salary scale within these broad ranges.

£76,640 - £112,560	(6)
£103,010 - £138,420	(8)
£146,870 - £175,350	(2)
£197,340 - £228,800	(1)

25. The Act requires authorities to set their policies on remuneration for their highest paid staff alongside their policies towards their lowest paid staff and to explain what they think the relationship should be between the remuneration of staff on the Senior Management Grade and other staff. The City Corporation's pay multiple – the ratio between the highest paid and lowest paid staff is 1:12. The ratio between the taxable earnings for the highest paid member of staff and the median earnings figure for all staff in the authority is 1:7.

## **Other Payments**

26. In addition to basic salary, all staff are paid a London Weighting allowance which varies depending on where they are based and whether they are supplied by the employer with residential accommodation. This is to assist staff with the higher cost of living and working in London. Current levels of London Weighting for non-residential staff are £5,230 for those based in inner London and £3,150 in outer London. All annual cost of living awards or increases to London Weighting are approved by the full Court.
27. Being based in the City of London, there are some types of posts which are difficult to recruit to e.g. lawyers, IT staff etc. Accordingly, there is often the need to use market supplements to attract, recruit and retain highly sought after skills. Any requests for market supplements must be supported by independent market data and is considered by a panel of senior officers and the Establishment Committee where appropriate.
28. For officers at Grade I or above, any market supplement requires a formal Member committee decision based on a full business case. All market supplement payments are kept under regular review and reported to Members. No member of staff on the Senior Management Grade receives a market supplement.

## **Transparency**

29. The Act requires the pay policy statement to make reference to policies in relation to staff leaving the authority, senior staff moving posts within the public sector and senior staff recruitment.

### **Recruitment**

30. New staff, including those on the Senior Management Grade, are normally appointed to the bottom of the particular pay scale applicable for the post. If the existing salary falls within the pay scale for the post, the appointment is normally to lowest point on the scale which is higher than their existing salary provided this gives them a pay increase commensurate with the additional higher level duties. In cases where the existing salary is higher than all points on the pay scale for the new role, the member of staff is normally appointed to the top of pay scale for the role.

For posts where the salary is £100,000 or more, the following approvals will be required:

- i) in respect of all new posts – the Court of Common Council;
- ii) in respect of all existing posts – the Establishment Committee.



### Payments on Ceasing Office

31. Staff who leave the City Corporation, including the Town Clerk & Chief Executive and staff on the Senior Management Grade are not entitled to receive any payments from the authority, except in the case of redundancy or retirement as indicated below.

### Retirement

32. Staff who contribute to the Local Government Pension Scheme who retire from age 55 onwards may elect to receive immediate payment of their pension benefits on a reduced basis in accordance with the Scheme. Unreduced benefits are payable if retirement is from Normal Pension Age, with normal pension age linked to the State Pension Age from 1<sup>st</sup> April 2014, unless protections allow for an earlier date. Early retirement, with immediate payment of pension benefits, is also possible under the Pension Scheme following redundancy or business efficiency after age 55 onwards and on grounds of permanent ill-health at any age.
33. Whilst the Local Government Pension Scheme allows applications for flexible retirement from staff aged 55 or over, it has been the City Corporation's policy to agree to these only where there are clear financial or operational advantages to the organisation. Any approval is conditional upon the member of staff agreeing to reduce their hours/grade. Benefits are payable in accordance with Regulation 27 of the Local Government Pension Scheme Regulations 2013.

### Redundancy

34. Staff who are made redundant are entitled to receive statutory redundancy pay as set out in legislation calculated on a week's pay (currently a maximum of £450 per week). The City Corporation currently bases the calculation on actual salary. This scheme may be amended from time to time subject to Member decision. The authority's policy on discretionary compensation for relevant staff under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 is published on our website.

### Settlement of potential claims

35. Where a member of staff leaves the City Corporation's service in circumstances which are, or would be likely to, give rise to an action seeking redress through the courts from the organisation about the nature of the member of staff's departure from our employment, such claims may be settled by way of a settlement agreement where it is in the City Corporation's interests to do so based on advice from the Comptroller & City Solicitor. The amount to be paid in any such instance may include an amount of compensation, which is appropriate in all the circumstances of the individual case. Should such a matter involve the departure of a member of staff on the Senior Management Grade or the Town Clerk & Chief Executive it will only be made following consultation with the Chairman of Policy & Resources and Establishment Committees and legal advice that it would be legal, proper and reasonable to pay it.

### Payment in lieu of notice

36. In exceptional circumstances, where it suits service needs, payments in lieu of notice are made to staff on the termination of their contracts.

#### Re-employment

37. Applications for employment from staff who have retired from the City Corporation or another authority or who have been made redundant will be considered in accordance with our normal recruitment policy. However, like many authorities, the City Corporation operates an abatement policy which means that any pension benefits that are in payment could be reduced on re-employment in local government.

#### **Publication of information relating to remuneration**

38. The City Corporation will seek to publish details of all positions remunerated at £58,200 or above. This publication includes all staff on the Senior Management Grade and complies with the requirements of paragraph 12 of the Code of Recommended Practice for Local Authorities on Data Transparency issued by the Secretary of State for Communities and Local Government.
39. This Pay Policy Statement will be published on our public website. It may be amended at any time during 2014/15 by the resolution of the Court of Common Council. Any amendments will also be published on our public website.
40. This statement meets the requirements of the: Localism Act 2011; the Department for Communities and Local Government (DCLG) guidance on “Openness and accountability in local pay: Guidance under section 40 of the Localism Act”; “The Code of Recommended Practice for Local Authorities on Data Transparency”; and the Accounts and Audit (England) Regulations 2011.

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